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DD/S&T-3934/68

11 OCT 1968

MEMORANDUM FOR: Director, Office of ELINT

ATTENTION : Chief, Air Systems Division

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SUBJECT [redacted]--Continuation of Work

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1. A meeting was conducted on 10 October 1968 with Mr. [redacted] and members of his staff. Other attendees included Mr. [redacted] Office of General Counsel, Mr. [redacted] OEL Contracting Officer, Mr. [redacted] representing OSA Contracts, and the undersigned. The question concerned a potential conflict of interest in connection with the plan to complete [redacted]

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2. The OEL plan is to select a contractor to inventory various components, now located in the [redacted] On a time and materials basis this contractor would inventory all equipment, drawings, etc. and determine their status. Thereafter, he would make recommendations to OEL on the necessary actions required to utilize the equipment in its current status and thus permit continuation of the development. The precise question involved was whether the contractor selected to perform this time and materials effort might then be permitted to submit a proposal on a competitive basis for completion of the total effort (except for that part involving an IR radiometer to be furnished by [redacted] The total effort is expected to approach [redacted] of which approximately 150K would apply to the contract with [redacted] The initial time and materials inventory contract is estimated to cost approximately $10,000.

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3. The possibility of giving an unfair competitive advantage to the inventory contractor was discussed in detail. Appendix G of the Armed Services Procurement Regulations concerning "Organizational Conflicts of Interest" was also considered and it was determined that a distinction is clearly made between developmental and nondevelopmental equipment. It seems clear that the prohibition applies

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GROUP 1
Excluded from automatic downgrading and declassification

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SUBJECT: [redacted] Continuation of Work

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to the drafting of complete specifications for nondevelopmental equipment. The effort involved in Project [redacted] is developmental in every sense of the word and further, any work statements or specifications will be prepared by OEL.

4. It was evident from the review of Appendix G and the joint discussion that a purely legal question of conflict of interest was not involved but the possibility of embarrassment to the Agency might result if the initial contractor performing the inventory was also permitted to compete in the follow-on development and it was agreed that Mr. [redacted] would discuss this matter with the Deputy Director for Science and Technology. 25X1A

25X1A 5. In the absence of Mr. Duckett on 11 October, I discussed this matter with Dr. [redacted], Assistant Deputy Director for Science and Technology. It was agreed that competition for the follow-on effort was desirable. It was agreed on the basis of the legal opinion expressed regarding the inclusion of the initial contractor in the follow-on effort that OEL could proceed on a sound business basis and permit the initial contractor to propose competitively on the follow-on if the following steps are observed:

a. All actions must be fully documented.

b. The contractor who performs the initial inventory and status report should be advised that the follow-on will be competitive.

c. Any work statements or specifications utilized by OEL in seeking competitive proposals must be prepared by OEL although it is recognized that information supplied by the initial contractor must necessarily be considered by OEL when it prepares the work statement or specifications.

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SUBJECT: [redacted] **-Continuation of Work**

d. All competing contractors should be offered the opportunity to inspect the existing components, drawings, etc., as a basis for submitting proposals.

6. A copy of this memorandum should be made a part of the contract record.

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[redacted]

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